
HOUSE BILL No. 2130

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-4-6.1; IC 6-3-2-8.

Synopsis: Enterprise zones. Provides that a pass through entity is a taxpayer for purposes of allowing a qualified employee of a pass through entity to take an enterprise zone employee wage deduction. Provides that a person who resides in an enterprise zone and is an employee of a nonprofit entity or local, state, or federal government is eligible for the qualified employee wage deduction. Extends from December 31, 2003, to December 31, 2015, the date beyond which the state enterprise zone board is prohibited from adding new enterprise zones.

Effective: July 1, 2001; January 1, 2002.

Klinker, Buell, Mahern

January 17, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 2130

A BILL FOR AN ACT to amend the Indiana Code concerning economic development.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 4-4-6.1-3, AS AMENDED BY P.L.204-1999,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2001]: Sec. 3. (a) The board may designate up to ten (10)
4 enterprise zones, in addition to any enterprise zones which the federal
5 government may designate in the state. After January 1, 1988, the
6 board may by seven (7) affirmative votes increase the number of
7 enterprise zones above ten (10), but it may add no more than two (2)
8 new zones each year and may not add any new zones after December
9 31, ~~2003~~ **2015**. There may be no more than one (1) enterprise zone in
10 any municipality.
11 (b) After approval by resolution of the legislative body, the
12 executive of any municipality that is not an included town under
13 IC 36-3-1-7 may submit one (1) application to the enterprise zone
14 board to have one (1) portion of the municipality designated as an
15 enterprise zone. If an application is denied, the executive may submit
16 a new application. The board by rule shall provide application
17 procedures.

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(c) The board shall evaluate an enterprise zone application, if it finds that the following threshold criteria exist in a proposed zone:

(1) A poverty level in which twenty-five percent (25%) of the households in the zone are below the poverty level as established by the most recent United States census or an average rate of unemployment for the most recent eighteen (18) month period for which data is available that is at least one and one-half (1 1/2) times the average statewide rate of unemployment for the same eighteen (18) month period.

(2) A population of more than two thousand (2,000) but less than ten thousand five hundred (10,500).

(3) An area of more than three-fourths (3/4) square mile but less than four (4) square miles, with a continuous boundary (using natural, street, or highway barriers when possible) entirely within the applicant municipality. However, if the zone includes a parcel of property that:

(A) is owned by the municipality; and

(B) has an area of twenty-five (25) acres or more;

the area of the zone may be increased above the four (4) square mile limitation by an amount not to exceed the area of the municipally owned parcel.

(4) Property suitable for the development of a mix of commercial, industrial, and residential activities.

(5) The appointment of an urban enterprise association that meets the requirements of section 4 of this chapter.

(6) A statement by the applicant indicating its willingness to provide certain specified economic development incentives.

(d) If an applicant has met the threshold criteria of subsection (c), the board shall evaluate the application, arrive at a decision based on the following factors, and either designate a zone or reject the application:

(1) Level of poverty, unemployment, and general distress of the area in comparison to other applicant and nonapplicant municipalities and the expression of need for an enterprise zone over and above the threshold criteria contained in subsection (c).

(2) Evidence of support for designation by residents, businesses, and private organizations in the proposed zone, and the demonstration of a willingness among those zone constituents to participate in zone area revitalization.

(3) Efforts by the applicant municipality to reduce the impediments to development in the zone area where necessary, including but not limited to the following:

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- 1 (A) A procedure for streamlining local government regulations
- 2 and permit procedures.
- 3 (B) Crime prevention activities involving zone residents.
- 4 (C) A plan for infrastructure improvements capable of
- 5 supporting increased development activity.
- 6 (4) Significant efforts to encourage the reuse of existing zone
- 7 structures in new development activities to preserve the existing
- 8 character of the neighborhood, where appropriate.
- 9 (5) The proposed managerial structure of the zone and the
- 10 capacity of the urban enterprise association to carry out the goals
- 11 and purposes of this chapter.
- 12 (e) An enterprise zone expires ten (10) years from the day on which
- 13 it is designated by the board. The two (2) year period immediately
- 14 before the day on which it expires is the phase-out period. During the
- 15 phase-out period, the board may review the success of the enterprise
- 16 zone based upon the following criteria and may, with the consent of the
- 17 budget committee, renew the zone, including all provisions of this
- 18 chapter, for a period of five (5) years:
- 19 (1) Increases in capital investment in the zone.
- 20 (2) Retention of jobs and creation of jobs in the zone.
- 21 (3) Increases in employment opportunities for residents of the
- 22 zone.
- 23 (f) If an enterprise zone is renewed under subsection (e), the two (2)
- 24 year period immediately before the date on which the zone expires is
- 25 another phase-out period. During the phase-out period, the board may
- 26 review the success of the enterprise zone based upon the criteria set
- 27 forth in subsection (e) and, with the consent of the budget committee,
- 28 may again renew the zone, including all provisions of this chapter, for
- 29 a final period of five (5) years. The zone may not be renewed after the
- 30 expiration of this final five (5) year period.
- 31 (g) Notwithstanding any other provision of this chapter, one (1) or
- 32 more units (as defined in IC 36-1-2-23) may declare all or any part of
- 33 a military base or other military installation that is inactive, closed, or
- 34 scheduled for closure as an enterprise zone. Such a declaration shall be
- 35 made by a resolution of the legislative body of the unit that contains the
- 36 geographic area being declared an enterprise zone. The legislative body
- 37 must include in the resolution that an urban enterprise association is
- 38 created or designate another entity to function as the urban enterprise
- 39 association under this chapter. The resolution must also be approved
- 40 by the executive of the unit. If the resolution is approved, the executive
- 41 shall file the resolution and the executive's approval with the board. If
- 42 an entity other than an urban enterprise association is designated to

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function as an urban enterprise association, the entity's acceptance must be filed with the board along with the resolution. The enterprise zone designation is effective on the first day of the month following the date the resolution is filed with the board. Establishment of an enterprise zone under this subsection is not subject to the limit of two (2) new enterprise zones each year under subsection (a).

(h) The enterprise zone board may not approve the enlargement of an enterprise zone's geographic boundaries unless the area to be enlarged meets the criteria of economic distress set forth in subsection (c)(1).

SECTION 2. IC 6-3-2-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 8. (a) For purposes of this section, "qualified employee" means an individual who is employed by a taxpayer, ~~or by~~ an employer exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(3), ~~(4); IC 6-3-2-2.8(4),~~ or ~~(5) IC 6-3-2-2.8(5), a nonprofit entity, the state, a political subdivision of the state, or the United States government~~ and who:

(1) has the employee's principal place of residence in the enterprise zone in which the employee is employed;

(2) performs services for the taxpayer, ~~or the employer, the nonprofit entity, the state, the political subdivision, or the United States government~~, ninety percent (90%) of which are directly related to:

(A) the conduct of the taxpayer's or employer's trade or business; ~~or~~

(B) **the activities of the nonprofit entity, the state, the political subdivision, or the United States government;**

that is located in an enterprise zone; and

(3) performs at least fifty percent (50%) of the employee's service for the taxpayer or employer during the taxable year in the enterprise zone.

(b) For purposes of this section, "pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

(c) For purposes of this section, "taxpayer" includes a pass through entity.

~~(b)~~ **(d)** Except as provided in subsection ~~(c)~~, **(e)**, a qualified employee is entitled to a deduction from his adjusted gross income in

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1 each taxable year in the amount of the lesser of:

2 (1) one-half (1/2) of his adjusted gross income for the taxable year
3 that he earns as a qualified employee; or

4 (2) seven thousand five hundred dollars (\$7,500).

5 ~~(c)~~ (e) No qualified employee is entitled to a deduction under this
6 section for a taxable year that begins after the termination of the
7 enterprise zone in which he resides.

8 SECTION 3. [EFFECTIVE JANUARY 1, 2002] **IC 6-3-2-8, as**
9 **amended by this act, applies only to taxable years beginning after**
10 **December 31, 2001.**

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